

**GOVERNMENT EMPLOYEES INSURANCE COMPANY
GEICO GENERAL INSURANCE COMPANY
GEICO INDEMNITY COMPANY
GEICO CASUALTY COMPANY
EXPLANATORY MEMO SECTION II**

II: If your company writes in one of the lines specified in Bulletin 2020-3 and has issued refunds for your policyholders, please explain all actions taken to date to refund premium in response to or consistent with this Bulletin.

As part of GEICO's ongoing efforts to assist customers during this unprecedented time, a uniform 15% premium credit is applied to voluntary private passenger auto policies with effective dates on or after April 8, 2020 and before October 8, 2020. The Giveback applies to both new and existing business to ensure that similarly situated policyholders are treated fairly and equitably. To any California GEICO policyholder who cancels during this same period, GEICO will provide a 15% credit on earned premium.

Customers do not need to take any action to receive the credit.

The premium credit will be applied uniformly to all coverages on the policy. The credit will not apply to fees, service charges, or taxes that are listed separately from the six-month premium or annual premium.

If there is premium owed on the expiring policy, the credit will first be applied to that outstanding balance. In that situation, any remaining credit after applying to the outstanding balance will be applied to the existing policy. If the policy does not earn any premium during the dates outlined above, then no credit will apply.

For private passenger automobile, current customers will be notified in their renewal paperwork. Policies that already had renewal paperwork issued ahead of the GEICO Giveback announcement and necessary systems changes were subsequently notified of the Giveback via email and/or physical mail. All impacted private passenger automobile customers will be notified of the GEICO Giveback amount for their policy on or before August 11, 2020.

In addition, private passenger motorcycle annual policies are also subject to the same conditions and eligibility for the GEICO Giveback as for private passenger auto, with the following differences. Because motorcycle policies are annual policies, the GEICO Giveback applies to renewal policies effective on or after April 8, 2020 and before April 8, 2021. For motorcycle policies with renewal dates effective on or after October 8, 2020 and before April 8, 2021, policyholders will receive a credit or refund based on the policy premium in force on July 15, 2020. Affected policyholders will be notified on or before August 11, 2020, as required by Bulletin 2020-3.

Rather than focus on actual impacts on March and April (and May), GEICO focused more broadly on the situation developing. This decision preceded the issuance of Bulletin 2020-3. We believed at the time that effects of the pandemic would extend far beyond March and April. Rather than create uncertainty for our policyholders as to the magnitude or timing of a credit in these trying times, we implemented a program that proactively addresses the reduction in exposure. GEICO had positive conversations with the California Department of Insurance regarding the GEICO Giveback prior to issuance of Bulletin 2020-3. It is important to

note that GEICO's 15% credit for the entire term currently represents a greater benefit than many other companies' approaches.

While frequencies were lower in California and countrywide in March and April, they have steadily rebounded from their lows, and we expect this upward trajectory to continue steadily as state restrictions are lifted. GEICO's seven-day rolling reported frequency for Collision coverage jumped 23% in May over April in California, and we expect a similar climb for June. In addition, we observe early indicators that will cause significant pressure on severity for injury and property coverages. For new claims with a bodily injury coverage opened, a much greater proportion of these claims have an associated fatality. For property coverages, the percentage of claims where the vehicle was totaled increased significantly in March and April. Average highway speeds are higher, and while there are fewer automobile accidents, those that result may be more serious. The number of speeding citations has increased in both California and countrywide, and more drivers are being cited for speeding in excess of 100 miles per hour. Finally, the litigation environment is very uncertain. Emergency court orders have slowed the judicial process for filing and review of lawsuits.

GEICO has also been working with its policyholders in other ways to assist them during these challenging times. The following apply to all lines of business written by GEICO:

- GEICO was among the first insurers in March to announce a voluntary, automatic moratorium on policy cancellations. Additionally, in line with the Commissioner's updated Notice on May 15, we have extended the moratorium on non-payment cancellations through July 14.
- Developing flexible payment plans for customers
- Policy adjustments to annual mileage rating for a vehicle based on individual customer situation

As always, GEICO does not charge late payment fees to its policyholders.

Given these factors and uncertainties, we think GEICO's Giveback Credit of 15% for an entire term is a fair, reasonable return of premium.

The figures in the worksheet tab reflect Giveback transactions processed through May 31. It is important to note that the total value of the Giveback is much greater than the data in the worksheet because transactions will continue to be processed through August. The total savings to California private passenger auto and motorcycle policyholders resulting from the Giveback is estimated to be **\$250 million** for all companies combined.